

“This budget keeps education our Number 1 priority,” Easley said. “My goal is to create a seamless education system that provides opportunities for citizens from pre-K through community college and our universities. Our education system must meet the needs of all our citizens, whether they are just starting out in school or returning to learn new skills to meet the demands of our global economy.”

The Governor’s budget also eliminates the state income tax for nearly 600,000 low-income taxpayers and cuts in half the tax for another 630,000. The budget provides funds to help middle-class families who are feeling the financial squeeze from the rising cost of health care. A new Kids Care package will help more than 12,000 children in families who earn \$40,000 to \$60,000 a year, or 300 percent of the poverty level for a family of four. Also, the budget provides funds to extend Medicaid health coverage to foster-care children from age 18 to 21. He also includes funding to reduce the waiting list for child care subsidies and increase community access to physician and mental health services. The budget funds higher education scholarships for foster care children, increases the capacity of the independent living programs and calls for a new adoption tax credit based on the current federal tax credit.

The budget includes money for the One North Carolina Fund which has generated the creation of 25,000 jobs and \$3.5 billion in investment. It also provides support for new and emerging companies through investments in biotechnology and in the Small Business Innovation Research matching grant program.

The budget recommends an additional \$238 million in the State's Rainy Day Fund and \$100 million for the repair and renovation of university and state buildings. By the end of the current fiscal year, the Rainy Day Fund balance will be \$849 million, 4.9 percent of last year’s operating budget.

Specific recommendations in Easley’s budget include the following:

- **Increase North Carolina’s Commitment to Education** – An additional \$839 million for education above the 2006-07 levels, including salaries and benefits. The budget fully funds enrollment increases in the public schools, community colleges and universities. The budget expands *More at Four* with 10,000 additional slots.
- **Continue High School Reform** – \$7.5 million to ensure operation of 55 *Learn and Earn* schools in 2007-08 to improve graduation rates, student performance and competitiveness; \$12 million to expand broadband high-speed Internet access in schools and establish *Learn and Earn Online* to make 20,000 community college and university course offerings available to high school students statewide in 2007-08 and 40,000 in 2008-09; \$7.3 million to improve and expand distance learning for community colleges; \$4.2 million to improve distance learning for universities; \$2 million to continue the high school turnaround initiative and assistance teams.
- **Recruit and Retain the Best Teachers** – A step and flat \$1,240 to increase average teacher pay by 5 percent while making the state’s beginning teacher salary more competitive.
- **Provide Resources to Low Wealth Schools** – \$18.9 million increase for the disadvantaged-student supplemental fund for smaller classrooms.
- **Improve Literacy** – Add 100 more literacy coaches in middle schools.
- **Increase Access to Higher Education** – \$50 million (reaching \$100 million in 2008-09) for EARN scholarship program so low and moderate income students can graduate from college